

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Day Township	County Montcalm
Audit Date 3/31/05	Opinion Date 7/20/05	Date Accountant Report Submitted to State: 1/6/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 1-6-06	

DAY TOWNSHIP, MONTCALM COUNTY

MCBRIDE, MICHIGAN

MARCH 31, 2005

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-viii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-17
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	18
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	19
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	20
Analysis of Revenues	21
Analysis of Expenditures	22-24
Fire Fund	
Balance Sheet	25
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	26
Municipal Street Fund	
Balance Sheet	27
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	28
Agency Fund	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	29

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

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Other Information

Statement of 2004 Winter Property Tax Roll	30-31
Statement of 2004 Summer Property Tax Roll	32
Letter of Comments and Recommendations	33
Letter of Reportable Conditions	34-35

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 20, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Day Township
Montcalm County
McBride, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Day Township, Montcalm County, McBride, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Day Township, Montcalm County, McBride, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Day Township, Montcalm County, McBride, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Day Township, a general law township located in Montcalm County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Day Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$401,435. Of this amount, \$99,314 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$224,635. About 44% is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Day Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township’s that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years’ financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

time. The Net Assets of the Township are \$401,435 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

		Day Township	
		Net Assets as of March 31, 2005	
			Governmental Activities
Assets			
Current Assets		\$	227,879
Non Current Assets			
Capital Assets			378,245
Less: Accumulated Depreciation			<u>(47,874)</u>
Total Non Current Assets			<u>330,371</u>
Total Assets		\$	<u><u>558,250</u></u>
Liabilities			
Current Liabilities		\$	16,547
Non Current Liabilities			<u>140,268</u>
Total Liabilities			<u>156,815</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt			176,800
Restricted for Specific Purposes			125,321
Unrestricted			<u>99,314</u>
Total Net Assets			<u>401,435</u>
Total Liabilities and Net Assets		\$	<u><u>558,250</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others).

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Day Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 56,545
Capital Grants and Contributions	52,623
General Revenues	
Property Taxes	109,911
State Shared Revenue	78,887
Unrestricted Investment Earnings	1,559
Other	<u>6,087</u>
Total Revenues	\$ <u>305,612</u>
<u>Expenses</u>	
Legislative	\$ 2,768
General Government, Administrative	55,540
Public Safety	46,546
Public Works	92,506
Health and Welfare	1,000
Other Functions	8,053
Unallocated Depreciation	<u>32,409</u>
Total Expenses	<u>238,822</u>
Changes in Net Assets	66,790
<u>NET ASSETS</u> – Beginning of Year	<u>334,645</u>
<u>NET ASSETS</u> – End of Year	\$ <u><u>401,435</u></u>

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$66,790 or 20% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Day Township comes from property taxes. The Township levied 3.8458 mills on the 2004 Tax Roll.

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by Public Works expenses that total 39% of total expenses. The Township spent \$92,506 in fiscal year 2005 on Public Works expenses. General Government represented the next largest expense at \$55,540, or 23% of total expenses. Expenses for salaries represent a large portion of the General Administrative expenses at \$32,461.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Day Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Day Township's governmental funds reported combined ending fund balances of \$224,635. Approximately 44%, or \$99,314 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund decreased its fund balance by \$22,795 which brings the fund balance to \$99,314. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for the Public Safety, ended the year with expenditures below budgeted amounts. The Public Safety differential was funded by available fund balance. Property taxes amounted to \$32,615. State shared revenues were collected in the amount of \$78,887.

Municipal Street Fund – The Municipal Street Fund decreased its fund balance by \$19,474 which brings the fund balance to \$76,779. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$51,532.

Fire Fund – The Fire Fund decreased its fund balance by \$28,702 which brings the fund balance to \$48,542. Property taxes collected amounted to \$25,764. The only expenditures were for capital outlay and operating supplies in the amount of \$264,243.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$330,371 net of accumulated depreciation.

DAY TOWNSHIP, MONTCALM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually for the General Fund and \$3,500 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

		Day Township	
		Capital Assets as of March 31, 2005	
			Governmental Activities
Land	\$		5,015
Buildings			17,060
Machinery and Equipment			58,470
Office Equipment			2,200
Fire Vehicles			295,500
			<hr/> 378,245
Less Accumulated Depreciation			<hr/> 47,874
Net Capital Assets	\$		<hr/><hr/>330,371

Major capital asset events during the current fiscal year included the following:

- ❖ Fire Department Purchased a new fire truck

Long-Term Debt. As of March 31, 2005, the Township had total outstanding debt of \$153,571.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year. The Township's millage rate will be reduced again by the Headlee Amendment rollback.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Day Township at 4560 Wyman Road, Edmore, MI 48829.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 213,029
Taxes Receivable	14,850
Total Current Assets	<u>\$ 227,879</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 5,015
Buildings	17,060
Machinery and Equipment	58,470
Office Equipment	2,200
Fire Vehicles	295,500
	<u>\$ 378,245</u>
Less Accumulated Depreciation	(47,874)
Net Capital Assets	<u>\$ 330,371</u>
TOTAL ASSETS	<u><u>\$ 558,250</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 2,278
Payroll Taxes and Withholdings	966
Current Portion of Notes Payable	13,303
Total Current Liabilities	<u>\$ 16,547</u>
<u>NON CURRENT LIABILITIES</u>	
Notes Payable	\$ 153,571
Less: Current Portion	(13,303)
Total Non Current Liabilities	<u>\$ 140,268</u>
Total Liabilities	<u>\$ 156,815</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 176,800
Restricted for Road Maintenance	76,779
Restricted for Fire Protection	48,542
Unrestricted	99,314
Total Net Assets	<u>\$ 401,435</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 558,250</u></u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 2,768	\$ 0	\$ 0	\$ 0	\$ (2,768)
General Government, Administrative	55,540	56,545	0	0	1,005
Public Safety	46,546	0	0	52,623	6,077
Public Works	92,506	0	0	0	(92,506)
Health and Welfare	1,000	0	0	0	(1,000)
Other Functions	8,053	0	0	0	(8,053)
Unallocated Depreciation	32,409	0	0	0	(32,409)
Total Governmental Activities	\$ 238,822	\$ 56,545	\$ 0	\$ 52,623	\$ (129,654)
GENERAL REVENUES					
Property Taxes					\$ 109,911
State Shared Revenue					78,887
Investment Earnings					1,559
Other					6,087
Total General Revenues					\$ 196,444
Change in Net Assets					\$ 66,790
NET ASSETS - Beginning of Year					334,645
NET ASSETS - End of Year					\$ 401,435

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY

MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	GENERAL FUND	FIRE FUND	MUNICIPAL STREET FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 98,939	\$ 44,990	\$ 69,100	\$ 213,029
Taxes Receivable	3,332	3,839	7,679	14,850
Total Assets	<u>\$ 102,271</u>	<u>\$ 48,829</u>	<u>\$ 76,779</u>	<u>\$ 227,879</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,991	\$ 287	\$ 0	\$ 2,278
Payroll Taxes and Withholdings	966	0	0	966
Total Liabilities	<u>\$ 2,957</u>	<u>\$ 287</u>	<u>\$ 0</u>	<u>\$ 3,244</u>
<u>FUND BALANCE</u>				
Reserved for:				
Road Maintenance	\$ 0	0	\$ 76,779	76,779
Fire Protection	0	48,542	0	48,542
Unreserved				
Undesignated	99,314	0	0	99,314
Total Fund Balance	<u>\$ 99,314</u>	<u>\$ 48,542</u>	<u>\$ 76,779</u>	<u>\$ 224,635</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 102,271</u>	<u>\$ 48,829</u>	<u>\$ 76,779</u>	<u>\$ 227,879</u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	224,635
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	5,015	
Buildings		17,060	
Machinery and Equipment		58,470	
Office Equipment		2,200	
Fire Vehicles		295,500	
Accumulated Depreciation		<u>(47,874)</u>	330,371

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Notes Payable		<u>(153,571)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>401,435</u>
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The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY

MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	MUNICIPAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 32,615	\$ 25,764	\$ 51,532	\$ 109,911
Federal Grants	52,623	0	0	52,623
State Grants	78,887	0	0	78,887
Charges for Services	7,170	49,375	0	56,545
Interest and Rents	685	402	472	1,559
Other Revenues	6,087	0	0	6,087
Total Revenues	178,067	75,541	52,004	305,612
<u>EXPENDITURES</u>				
Legislative	2,768	0	0	2,768
General Government	55,540	0	0	55,540
Public Safety	112,473	264,243	0	376,716
Public Works	21,028	0	71,478	92,506
Health and Welfare	1,000	0	0	1,000
Other Functions	8,053	0	0	8,053
Total Expenditures	200,862	264,243	71,478	536,583
Excess of (Deficiency) of Revenues Over Expenditures	(22,795)	(188,702)	(19,474)	(230,971)
<u>OTHER FINANCING SOURCES</u>				
Loan Proceeds	0	160,000	0	160,000
Net Change in Fund Balance	(22,795)	(28,702)	(19,474)	(70,971)
<u>FUND BALANCE</u> - Beginning of Year	122,109	77,244	96,253	295,606
<u>FUND BALANCE</u> - End of Year	\$ 99,314	\$ 48,542	\$ 76,779	\$ 224,635

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (70,971)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(32,409)
Capital Outlay	323,740

The issuance of long term debt provides current financial resources, to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds.

Proceeds from Note Payable	(160,000)
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Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

	<u>6,430</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 66,790</u></u>
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The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 0
	<u> </u>
<u>LIABILITIES</u>	\$ 0
	<u> </u>

The accompanying notes are an integral part of the financial statements.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Day Township is a general law township located in Montcalm County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Day Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally Day Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Day Township totaled \$26,236,732, on which ad valorem taxes levied consisted of .8521 mills for Day Township operating purposes. .9820 mills for Day Township fire protection and 1.9641 mills for Day Township Road Improvements. These levies raised approximately \$22,357 for operating purposes, \$25,764 for Fire Protection and \$51,532 for Road Improvements.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as required.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 for the General Fund and \$3,500 for the Fire Fund (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Machinery and Equipment	5
Office Equipment	5
Fire Vehicles	15

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 30, 2004 or as amended by the township board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Fire Fund	\$ 113,300	\$ 264,243

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Chemical Bank West Stanton, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2005 \$124,776 of the government's bank balance of \$224,776 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty,

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were uncategorized as to risk.

The Township's deposits are held separately by the Township's funds. At year-end, a total of \$124,776 of the Township's \$224,776 total deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$100,000 is insured. At year-end, the carrying amount of the Township's deposits was \$213,029 and the bank balance was \$224,776.

The carrying amount of the Township's deposit at year-end are shown below:

	Municipal Street Fund		General Fund		Fire Fund		Total
Chemical Bank West Stanton, Michigan							
Commercial Accounts	\$	0	\$	92,267	\$	0	\$ 92,267
Money Market Accounts		69,100		6,672		44,990	120,762
	\$	69,100	\$	98,939	\$	44,990	\$ 213,029

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General		Fire		Municipal Street		Total
Receivables							
Taxes	\$	3,332	\$	3,839	\$	7,679	\$ 14,850

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 5,015	\$ 0	\$ 0	\$ 5,015
Capital assets, being depreciated				
Buildings	17,060	0	0	17,060
Machinery and equipment	58,470	0	0	58,470
Office Equipment	2,200	0	0	2,200
Fire Vehicles	30,500	265,000	0	295,500
Total capital assets, being depreciated	108,230	265,000	0	373,230
Less accumulated depreciation for:				
Buildings	4,140	340	0	4,480
Machinery and equipment	0	11,694	0	11,694
Office Equipment	2,200	0	0	2,200
Fire Vehicles	9,125	20,375	0	29,500
Total accumulated depreciation	15,465	32,409	0	47,874
Total capital assets, being depreciated, net	92,765	232,591	0	325,356
Governmental activities capital assets, net	\$ 97,780	\$ 232,591	\$ 0	\$ 330,371

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government \$ 32,409

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at March 31, 2005.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Day for the year ended March 31, 2005:

Debt Payable At April 1, 2004	\$ 0
Debt Incurred	160,000
Debt Retired	<u>(6,429)</u>
Debt Payable at March 31, 2005	<u>\$ 153,571</u>

Long-term debt at March 31, 2005 is comprised of the following:

Fire Truck Contract

\$160,000 payable to Chemical Bank West due in monthly

Installments of \$1,665 through September 2, 2014

Interest at 4.53% \$ 153,571

The annual requirements to amortize the debt outstanding as of March 31, 2005, including interest of \$35,548 are as follows:

Year March 31	Principal	Interest	Total
2006	\$ 13,303	\$ 6,683	\$ 19,986
2007	13,918	6,068	19,986
2008	14,562	5,424	19,986
2009	15,235	4,751	19,986
2010	15,940	4,046	19,986
2011	16,677	3,309	19,986
2012	17,449	5,537	19,986
2013	18,256	1,730	19,986
2014	19,100	886	19,986
2015	9,131	114	9,245
	<u>\$ 153,571</u>	<u>\$ 35,548</u>	<u>\$ 189,119</u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Fire Fund

Fire Protection

\$ 48,542

Municipal Street Fund

76,779

Road Maintenance

\$ 125,321

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				MUNICIPAL STREET FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 26,000	\$ 26,000	\$ 32,615	\$ 6,615	\$ 50,000	\$ 50,000	\$ 51,532	\$ 1,532	\$ 23,500	\$ 23,500	\$ 25,764	\$ 2,264
Federal Grants	0	0	52,623	52,623	0	0	0	0	0	0	0	0
State Grants	70,000	70,000	78,887	8,887	0	0	0	0	0	0	0	0
Charges for Services	2,300	2,300	7,170	4,870	0	0	0	0	15,300	15,300	49,375	34,075
Interest and Rents	1,600	1,600	685	(915)	500	500	472	(28)	500	500	402	(98)
Other Revenues	0	0	6,087	6,087	0	0	0	0	0	0	0	0
Total Revenues	99,900	99,900	178,067	78,167	50,500	50,500	52,004	1,504	39,300	39,300	75,541	36,241
<u>EXPENDITURES</u>												
Legislative	3,350	3,350	2,768	582	0	0	0	0	0	0	0	0
General Government	76,850	79,691	55,540	24,151	0	0	0	0	0	0	0	0
Public Safety	52,200	56,200	112,473	(56,273)	0	0	0	0	113,300	113,300	264,243	(150,943)
Public Works	74,700	67,859	21,028	46,831	140,300	140,300	71,478	68,822	0	0	0	0
Health and Welfare	1,000	1,000	1,000	0	0	0	0	0	0	0	0	0
Other Functions	13,800	13,800	8,053	5,747	0	0	0	0	0	0	0	0
Total Expenditures	221,900	221,900	200,862	21,038	140,300	140,300	71,478	68,822	113,300	113,300	264,243	(150,943)
Excess (Deficiency) of Revenues Over Expenditures	(122,000)	(122,000)	(22,795)	99,205	(89,800)	(89,800)	(19,474)	70,326	(74,000)	(74,000)	(188,702)	114,702
<u>OTHER FINANCING SOURCES (USES)</u>												
Loan Proceeds	0	0	0	0	0	0	0	0	0	0	160,000	160,000
Net Change in Fund Balance	(122,000)	(122,000)	(22,795)	99,205	(89,800)	(89,800)	(19,474)	70,326	(74,000)	(74,000)	(28,702)	45,298
<u>FUND BALANCE</u> - Beginning of Year	122,000	122,000	122,109	109	89,800	89,800	96,253	6,453	74,000	74,000	77,244	3,244
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 99,314	\$ 99,314	\$ 0	\$ 0	\$ 76,779	\$ 76,779	\$ 0	\$ 0	\$ 48,542	\$ 48,542

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 92,267
Money Market Account	6,672
Taxes Receivable	<u>3,332</u>
 TOTAL ASSETS	 <u><u>\$ 102,271</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,991
Employee Withholdings Payable	<u>966</u>
 Total Liabilities	 \$ 2,957

FUND BALANCE

Unreserved	<u>99,314</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 102,271</u></u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 26,000	\$ 26,000	\$ 32,615
Federal Grants	0	0	52,623
State Grants	70,000	70,000	78,887
Charges for Services	2,300	2,300	7,170
Interest and Rents	1,600	1,600	685
Other Revenues	0	0	6,087
Total Revenues	<u>\$ 99,900</u>	<u>\$ 99,900</u>	<u>\$ 178,067</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 3,350	\$ 3,350	\$ 2,768
General Government			
Supervisor	4,300	4,300	3,642
Election	10,200	10,200	4,153
Assessor	8,500	8,500	8,500
Clerk	7,150	7,150	6,448
Board of Review	1,900	2,741	2,615
Treasurer	9,650	9,650	8,467
Data Processing	6,500	6,500	3,286
Building and Grounds	13,750	15,750	9,095
Cemetery	14,900	14,900	9,334
Public Safety	52,200	56,200	112,473
Public Works	74,700	67,859	21,028
Health and Welfare	1,000	1,000	1,000
Other Functions	13,800	13,800	8,053
Total Expenditures	<u>\$ 221,900</u>	<u>\$ 221,900</u>	<u>\$ 200,862</u>
Excess (Deficiency) of Revenues Over Expenditures	(122,000)	(122,000)	(22,795)
<u>FUND BALANCE</u> - Beginning of Year	<u>122,000</u>	<u>122,000</u>	<u>122,109</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,314</u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Tax	\$ 22,357	
Property Tax Administrative Fees	7,116	
Late Payment Penalty	<u>3,142</u>	
Total Taxes		\$ 32,615

FEDERAL GRANTS

FEMA		52,623
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STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	\$ 75,031	
Tellecommunications Right of Way	<u>3,856</u>	
Total State Grants		78,887

CHARGES FOR SERVICES

Summer Tax Collection Fee	\$ 2,300	
Sales - Cemetery Lots	710	
Grave Openings and Burial Fees	<u>4,160</u>	
Total Charges for Services		7,170

INTEREST AND RENTS

Interest Earnings	\$ 270	
Rents	<u>415</u>	
Total Interest and Rents		685

OTHER REVENUES

Sale of Equipment	\$ 4,000	
Miscellaneous	<u>2,087</u>	
Total Other Revenues		<u>6,087</u>

TOTAL GENERAL FUND REVENUES		<u><u>\$ 178,067</u></u>
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DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board		
Personal Services		
Salaries and Wages	\$	1,912
Other Services and Charges		
Miscellaneous - Dues		267
Miscellaneous - Other		589
		<hr/>
Total Legislative	\$	2,768

GENERAL GOVERNMENT

Supervisor		
Personal Services		
Salaries and Wages	\$	3,500
Supplies		
Office Supplies	<hr/>	142
	\$	3,642
Elections		
Personal Services		
Salaries and Wages	\$	2,680
Supplies		
Office Supplies		1,274
Other Services and Charges		
Transportation		97
Printing and Publishing	<hr/>	102
		4,153
Assessor		
Personal Services		
Salaries and Wages		8,500
Clerk		
Personal Services		
Salaries and Wages	\$	5,500
Salaries and Wages - Deputy		323
Supplies		
Office Supplies		600
Other Services and Charges		
Transportation	<hr/>	25
		6,448
Board of Review		
Personal Services		
Salaries and Wages	\$	1,812

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Other Services and Charges		
Transportation	125	
Printing and Publishing	678	2,615
Treasurer		
Personal Services		
Salaries and Wages	\$ 6,500	
Salaries and Wages - Deputy	928	
Supplies		
Office Supplies	1,039	8,467
Data Processing		
Supplies		
Office Supplies	\$ 2,346	
Other Services and Charges		
Professional Services	940	3,286
Building and Grounds		
Personal Services		
Salaries and Wages	\$ 1,630	
Supplies		
Operating Supplies	1,106	
Other Services and Charges		
Repair and Maintenance	1,068	
Public Utilities	2,450	
Communications	579	
Professional Services	450	
Capital Outlay	1,812	9,095
Cemetery		
Personal Services		
Salaries and Wages	\$ 7,676	
Supplies		
Operating Supplies	651	
Other Services and Charges		
Repair and Maintenance	381	
Capital Outlay	626	9,334
Total General Government		55,540

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

PUBLIC SAFETY

Fire Department		
Personal Services		
Salaries and Wages	\$	10,328
Supplies		
Operating Supplies		5,486
Other Services and Charges		
Insurance		8,077
Contracted Services		5,000
Repair and Maintenance		9,388
Utilities		1,102
Education and Training		469
Capital Outlay		<u>72,623</u>
 Total Public Safety		 112,473

PUBLIC WORKS

Highway, Streets, and Bridges		
Other Services and Charges		
Aid to Other Government		
Maintenance		21,028

HEALTH AND WELFARE

Other Services and Charges		
Commission on Aging		1,000

OTHER FUNCTIONS

Insurance and Bonds		\$	2,697
Employee Benefits			
Workers' Compensation	\$	1,414	
Social Security and Unemployment		<u>3,942</u>	<u>5,356</u>
 Total Other Functions			 <u>8,053</u>

TOTAL GENERAL FUND EXPENDITURES			<u><u>\$ 200,862</u></u>
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DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 44,990
Taxes Receivable	<u>3,839</u>
 TOTAL ASSETS	 <u>\$ 48,829</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 287
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FUND BALANCE

Reserved for Fire Protection	<u>48,542</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,829</u>
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DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Tax	\$ 23,500	\$ 23,500	\$ 25,764
Charges for Services			
Fire Protection - Douglass Township	15,300	15,300	48,300
Fire Runs	0	0	1,075
Interest and Rents			
Interest Earnings	500	500	402
	<u>500</u>	<u>500</u>	<u>402</u>
Total Revenues	<u>\$ 39,300</u>	<u>\$ 39,300</u>	<u>\$ 75,541</u>
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Supplies			
Operating Supplies	\$ 0	\$ 0	\$ 22,797
Capital Outlay			
Equipment	113,300	113,300	241,446
	<u>113,300</u>	<u>113,300</u>	<u>241,446</u>
Total Expenditures	<u>\$ 113,300</u>	<u>\$ 113,300</u>	<u>\$ 264,243</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (74,000)	\$ (74,000)	\$ (188,702)
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	0	0	160,000
	<u>0</u>	<u>0</u>	<u>160,000</u>
Net Change in Fund Balance	\$ (74,000)	\$ (74,000)	\$ (28,702)
<u>FUND BALANCE</u> - Beginning of Year	<u>74,000</u>	<u>74,000</u>	<u>77,244</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,542</u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 69,100
Taxes Receivable	<u>7,679</u>
TOTAL ASSETS	<u><u>\$ 76,779</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>BALANCE</u>	
Reserved for Road Improvements	<u>76,779</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 76,779</u></u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

MUNICIPAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>2005</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Tax	\$ 50,000	\$ 50,000	\$ 51,532
Interest and Rents			
Interest Earnings	500	500	472
Total Revenues	\$ 50,500	\$ 50,500	\$ 52,004
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Aid to Other Government			
Maintenance	140,300	140,300	71,478
Excess (Deficiency) of Revenues Over			
Expenditures	\$ (89,800)	\$ (89,800)	\$ (19,474)
<u>FUND BALANCE</u> - Beginning of Year	89,800	89,800	96,253
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 76,779

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	BALANCE				BALANCE	
	4/1/2004		ADDITIONS	DEDUCTIONS	3/31/2005	
<hr/>						
<u>ASSETS</u>						
Cash	\$	0	\$	710,889	\$	710,889
<hr/>						
<u>LIABILITIES</u>						
Accounts Payable	\$	0	\$	2	\$	2
Due to Other Governments		0		616,478		616,478
Due to Other Funds		0		94,409		94,409
<hr/>						
	\$	0	\$	710,889	\$	710,889
<hr/>						

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$ 147,565	
Township		
Operating	22,357	
Fire	25,764	
Roads	51,532	
Schools		
Central Montcalm Public Schools	102,510	
Montabella Community School	137,356	
Vestaburg Community School	7,773	
Intermediate School	97,877	
Community College	<u>72,091</u>	\$ 664,825

TAXES COLLECTED

County	\$ 125,573	
Township		
Operating	19,025	
Fire	21,925	
Roads	43,853	
Schools		
Central Montcalm Public Schools	83,856	
Montabella Community School	112,361	
Vestaburg Community School	6,358	
Intermediate School	83,291	
Community College	<u>61,348</u>	<u>557,590</u>

TAXES RETURNED DELINQUENT

County	\$ 21,992
Township	
Operating	3,332
Fire	3,839
Roads	7,679

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
MARCH 31, 2005

Schools

Central Montcalm Public Schools	18,654	
Montabella Community School	24,995	
Vestaburg Community School	1,415	
Intermediate School	14,586	
Community College	<u>10,743</u>	<u>\$ 107,235</u>

DAY TOWNSHIP, MONTCALM COUNTY
MCBRIDE, MICHIGAN

STATEMENT OF 2004 SUMMER PROPERTY TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County

State Education Tax \$ 157,705

TAXES COLLECTED

County

State Education Tax 143,429

TAXES RETURNED DELINQUENT

County

State Education Tax \$ 14,276

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

July 20, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

During the course of our audit of the basic financial statements of Day Township for the year ended March 31, 2005, we noted the following:

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

1. Total expenditures of the Fire Fund exceeded budgeted expenditures. In the future, budgeted expenditures should be increased prior to incurring expenditures in excess of budgeted amounts.
2. One item in the General Fund exceeded the budgeted amount. This overage was the result of year end audit adjustments.

Government Accounting Standards Board (GASB) Statement 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

Reportable Condition in Internal Controls

As part of our audit of the Township, we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

General Recordkeeping

Once again, the accounting records being maintained by the clerk and treasurer were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

July 20, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Day Township
Montcalm County
McBride, Michigan

In planning and performing our audit of the basic financial statements of Day Township, Montcalm County, McBride, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.